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ANNUAL REPORT 1963

FRASER COMPANIES, LIMITED



Pulpwood storage and the start of a drive on the Northwest Miramichi River.

CONTENTS

	PAGE
Directors, Executive Committee and Officers	1
Directors' Report	2 - 3 - 4
Consolidated Earnings	5
Consolidated Retained Earnings Used in the Business	5
Consolidated Balance Sheet	6 - 7
Auditors' Report	8
Source and Application of Funds	8
Newcastle Kraft Mill	9
Ten Year Comparison	10 - 11
Improvements in 1963	12
Products	13
Woodlands Operations	14 - 15
Mills and Offices	16
Auditors, Stock Transfer Agent, Stock Exchanges, Annual Meeting	17

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

FEB 27 1964

E. R. ALEXANDER	*PHILIP L. HOVEY
F. PHILIPPE BRAIS, C.B.E., Q.C.	*ROY A. JODREY, D.C.L., LL.D.
*RALPH B. BRENNAN	DONALD E. KERLIN
ARTHUR H. CAMPBELL	K. W. MATHESON
AUBREY CRABTREE, LL.D.	*A. L. PENHALE, D.Sc., D.C.L.
*H. ROY CRABTREE, LL.D.	L. M. SHERWOOD
F. RYLAND DANIELS	FRANK H. SOBEY
JOHN E. L. DUQUET, Q.C.	

*MEMBER EXECUTIVE COMMITTEE — H. ROY CRABTREE, *Chairman*

OFFICERS

AUBREY CRABTREE	—	—	—	—	—	—	—	—	Chairman of the Board
PHILIP L. HOVEY	—	—	—	—	—	—	—	—	President
K. W. MATHESON	—	—	—	—	—	—	—	—	Vice-President
C. T. CLARK	—	—	—	—	—	—	—	—	Vice-President — Manufacturing
W. A. KETCHEN	—	—	—	—	—	—	—	—	Vice-President — Technical Services
E. S. McLEAN	—	—	—	—	—	—	—	—	Treasurer
G. G. GILLIES, F.C.I.S.	—	—	—	—	—	—	—	—	Secretary
F. B. RICHARDS, C.P.A.	—	—	—	—	—	—	—	—	Controller
H. P. HIERLIHY	—	—	—	—	—	—	—	—	Assistant Treasurer
B. W. HICKS, F.C.I.S.	—	—	—	—	—	—	—	—	Assistant Secretary
C. S. HENDERSON	—	—	—	—	—	—	—	—	Assistant Controller
H. M. LOGAN, C.A.	—	—	—	—	—	—	—	—	Assistant Controller

DIRECTORS' REPORT

TO THE SHAREHOLDERS,
FRASER COMPANIES, LIMITED

FINANCIAL

The consolidated balance sheet at December 31, 1963, and statements of consolidated earnings and retained earnings for the year ended December 31, 1963, of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited, are submitted herewith.

Earnings for the year, before interest charges and provisions for depreciation, depletion and taxes on income, amounted to \$12,687,828 compared with \$12,959,233 in 1962.

Net earnings for the year after all charges, including provisions for depreciation and depletion of \$4,887,256 and a provision of \$3,571,000 for taxes on income, amounted to \$4,187,572 equivalent to \$1.88 per share, as compared with \$4,224,900 or \$1.90 per share in 1962.

Dividends declared on the common stock during 1963 amounted to \$3,116,543, consisting of four quarterly dividends of thirty cents per share and an extra dividend of twenty cents per share. The regular quarterly dividend and the extra dividend declared in November, 1963 were paid in January, 1964.

During the year \$350,000 principal amount of first Mortgage and Collateral Trust Bonds 3⁷/₈% Series due January 1, 1967 were redeemed.

Net additions and improvements to plants and properties during the year totalled \$5,561,513.

The consolidated working capital at the end of the year was \$16,542,091.

Earnings before taxes on income for the year included \$2,696,056 from the conversion of United States funds into Canadian funds.

OPERATIONS

Total shipments of pulp, paper and paperboard for the year amounted to 322,133 tons, an increase of 37,244 tons over the previous record established in 1962. Shipments of woodpulp were the principal factor in the increase. Lumber shipments amounted to 32,733,000 board feet compared to 29,519,000 board feet in the previous year.

The relationship between supply and demand in the pulp and paper industry was more favourable during the year. As a result, operations were maintained at improved levels with increased shipments from all divisions except the mill manufacturing papers from bleached chemical fibres. A record level of groundwood specialty paper shipments was made possible by recent machine modernization projects.

The stronger domestic and overseas market for pulp resulted in improved prices which have partially offset price reductions of the past few years. The price of unbleached kraft woodpulp increased five dollars per ton in the United States in the second quarter of the year and a further seven dollars and fifty cents in Canada and the United States in the fourth quarter. Bleached sulphite woodpulp prices in the North American market advanced three dollars per ton in the third quarter and a further five dollar increase became effective January 1, 1964. Unfortunately, the price action of paper was less favourable and paper prices have continued to deteriorate. There was, however, some evidence of firming in paper prices during the fourth quarter.

All labour agreements were renegotiated and renewed during the year. Several of the renewals were for periods of two years. The principal changes in the agreements covering employees in the pulp and paper mills were improved employee welfare benefits. Agreements covering logging and sawmill employees provide for wages and working conditions similar to those prevailing in these industries in the area.

NEWCASTLE MILL EXPANSION

In December the Honourable Louis J. Robichaud, Premier of the Province of New Brunswick, and Mr. Philip L. Hovey announced that an agreement had been reached between the province and the Company whereby the Company was assured an adequate wood supply to permit the expansion of the Newcastle pulp mill. This project is presently under way and will increase capacity from 215 tons per day to the equivalent of 500 tons per day of unbleached kraft woodpulp. On completion of this project in the second half of 1965, this mill will manufacture bleached, semi-bleached and unbleached kraft pulp for market and internal use.

The estimated cost of this undertaking is twenty-four million dollars. Part of this amount is available from Company funds. Arrangements are being made to finance the balance.

CAPITAL EXPENDITURES

A long log barker and chipping plant were brought into operation at the Plaster Rock sawmill in 1963. These facilities will enable cutting and chipping full length logs and will result in reduced costs for wood supplied to the Edmundston mill from timber lands on the Tobique River. Facilities for handling and storing chips are being installed at the Edmundston mill.

Continuing the renovation and improvement program, a number of capital expenditure projects were carried out in the pulp and paper mills during the year. At the Madawaska mill, a new ventilating system has been installed on No. 1 machine and a totally enclosed hood on No. 5 machine. These improvements will provide better control and more uniform drying conditions. Also at Madawaska, a new trimmer was placed in operation in the finishing room during the year, and at year-end, a new autopaster and roll feeding equipment were installed on the coating machine.

DIRECTORS' REPORT *Continued*

ROTHESAY PAPER CORPORATION

The construction of a newsprint mill at East Saint John, New Brunswick by Rothesay Paper Corporation commenced in mid-year. In August, this Company sold approximately 522 square miles of Crown timber berths and about 83 square miles of freehold timber lands in the southern part of New Brunswick to Rothesay Paper Corporation. At the same time, this Company purchased fifty thousand preferred shares and one million, one hundred thousand ordinary shares of the capital stock of Rothesay Paper Corporation.

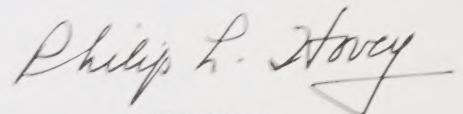
NOVA SCOTIA DIVISION

As part of the Company's participation in the establishment of the newsprint mill by Rothesay Paper Corporation, the Company acquired the groundwood mill, 110,000 acres of freehold forest lands and other assets in Nova Scotia of the Halifax Power and Pulp Company, Limited at Sheet Harbour and vicinity. The Sheet Harbour property was previously controlled by the Hearst Interests which entered into a long term contract for the purchase of newsprint from Rothesay Paper Corporation.

The groundwood mill at Sheet Harbour has an annual capacity of 30,000 tons. The mill is being operated to the extent possible under present market conditions and studies are being conducted to determine how this property may be most advantageously utilized in the future.

CONCLUSION

The year 1963 proved to be extremely competitive and presented many problems. Progress was achieved, however, in a number of areas. This progress has been achieved through the efforts of the men and women in the employ of the Company. The Directors wish to express their appreciation to the officers and employees for their efforts and loyalty, and to thank the customers and suppliers of the Company for their contribution to the progress made in 1963.



President

Edmundston, New Brunswick
February 21, 1964

STATEMENT OF CONSOLIDATED EARNINGS

	YEAR ENDED DECEMBER 31	
	1963	1962
Net sales	\$61,862,028	\$59,304,412
Interest income	293,230	94,507
	<u>62,155,258</u>	<u>59,398,919</u>
Cost of products sold, selling, administrative and general expenses	49,467,430	46,439,686
Bond interest	42,000	52,500
Depreciation and depletion	4,887,256	4,756,833
Taxes on income	3,571,000	3,925,000
	<u>57,967,686</u>	<u>55,174,019</u>
Net earnings for the year	<u>\$ 4,187,572</u>	<u>\$ 4,224,900</u>
Administrative expenses for 1963 include executive officers' salaries and legal fees of \$212,744 and directors' remuneration of \$15,050.		

STATEMENT OF CONSOLIDATED RETAINED EARNINGS USED IN THE BUSINESS

	YEAR ENDED DECEMBER 31	
	1963	1962
Balance at beginning of year	\$39,730,657	\$38,622,300
Net earnings for the year	4,187,572	4,224,900
Net gain on realization of fixed assets	3,014,483	—
	<u>46,932,712</u>	<u>42,847,200</u>
Dividends	3,116,543	3,116,543
Balance at end of year	<u>\$43,816,169</u>	<u>\$39,730,657</u>

FRASER COMPANIES, LIMITED

CONSOLIDATED

	DECEMBER 31	
ASSETS	1963	1962
CURRENT:		
Cash and short term deposits	\$10,023,151	\$ 7,590,840
Accounts receivable	5,117,507	3,875,127
Inventories, valued at the lower of cost or market, less reserve, comprising raw materials and supplies, goods in process and finished products, and current logging and pulpwood advances	10,209,969	11,837,353
Prepaid insurance	225,675	188,688
	<u>25,576,302</u>	<u>23,492,008</u>
INVESTMENTS:		
Securities at cost	1,613,950	15,000
Other	109,869	103,542
	<u>1,723,819</u>	<u>118,542</u>
FIXED:		
Plants and properties, freehold and leasehold timber limits at cost . . .	115,608,350	101,915,955
Less:		
Accumulated depreciation and depletion	83,635,608	70,617,471
	<u>31,972,742</u>	<u>31,298,484</u>
Approved on behalf of the Board:		
PHILIP L. HOVEY, Director		
K. W. MATHESON, Director	<u>\$59,272,863</u>	<u>\$54,909,034</u>

NOTES TO FINANCIAL STATEMENTS

1. In consolidating the financial statements of Fraser Paper, Limited, which operates in the United States of America, American dollars are expressed as an equal number of Canadian dollars.
2. Taxes on income for the year 1963 have been reduced by \$296,000 by taking advantage of the maximum additional capital cost allowances which were made available in Canada during the year and which are in excess of the depreciation recorded in the accounts.

AND FRASER PAPER, LIMITED

BALANCE SHEET

LIABILITIES	DECEMBER 31	
	1963	1962
CURRENT:		
Accounts payable and accruals	\$ 5,922,962	\$ 5,140,818
Dividends — payable January 27, 1964	1,113,051	1,113,051
Taxes on income	1,998,198	2,152,025
	<u>9,034,211</u>	<u>8,405,894</u>
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
Authorized	\$12,000,000	
Issued:		
2½% Serial bonds due 1948-1957	\$ 3,500,000	
Less: Retired	<u>3,500,000</u>	<u>—</u>
3% Series due January 1, 1967	3,500,000	3,500,000
Less: Redeemed	2,450,000	2,100,000
(\$350,000 redeemable annually)	<u>1,050,000</u>	<u>1,400,000</u>
SHAREHOLDERS' EQUITY		
Common shares without nominal or par value:		
Authorized — 3,000,000 shares		
Issued — 2,226,102 shares	3,984,483	3,984,483
Retained earnings:		
Appropriated for contingencies	1,388,000	1,388,000
Used in the business	43,816,169	39,730,657
	<u>49,188,652</u>	<u>45,103,140</u>
	<u>\$59,272,863</u>	<u>\$54,909,034</u>

3. In 1932 the value of fixed assets was reduced below cost. In order to state total fixed assets at cost, \$9,536,237 has been restored to the book value in 1963. As the fixed assets held at December 31, 1932 were fully amortized at the end of 1963, an equivalent amount has been added to accumulated depreciation and depletion.

4. Commitments for the purchase of machinery, equipment and construction materials for additions and improvements to plants and properties amounted to approximately \$1,821,000 at December 31, 1963.

AUDITORS' REPORT TO THE SHAREHOLDERS

TOUCHE, ROSS, BAILEY & SMART
CHARTERED ACCOUNTANTS

Fraser Companies, Limited,
Edmundston, N.B.

We have examined the consolidated balance sheet of Fraser Companies, Limited and its wholly owned subsidiary, Fraser Paper, Limited as at December 31, 1963 and the related consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet, as supplemented by the notes thereto, and related consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Fraser Companies, Limited and Fraser Paper, Limited as at December 31, 1963 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart.

Montreal, Que.
February 4, 1964.

Chartered Accountants.

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31

	1963	1962
SOURCE OF FUNDS		
Net earnings for the year	\$ 4,187,572	\$ 4,224,900
Proceeds of sale of fixed assets	3,014,483	—
Depreciation and depletion	4,887,256	4,756,833
	<u>\$12,089,311</u>	<u>\$ 8,981,733</u>
APPLICATION OF FUNDS		
Net additions and improvements to plants and properties	\$ 5,561,513	\$ 3,801,522
Bonds redeemed	350,000	350,000
Dividends declared	3,116,543	3,116,543
Investments increased	1,605,277	6,934
	<u>10,633,333</u>	<u>7,274,999</u>
Working Capital increased	1,455,978	1,706,734
	<u>\$12,089,311</u>	<u>\$ 8,981,733</u>



NEWCASTLE UNBLEACHED KRAFT PULPMILL

This aerial photograph shows the Newcastle unbleached kraft mill, site of the recently announced twenty-four million dollar expansion project. The mill is located on the Miramichi River at Newcastle, N.B. and is a major factor in the economy of the area. In addition to providing employment, approximately one-half of the present wood supply to the mill is obtained as chips from sawmill waste. A market for such waste is important to the success of the long lumber industry in the region.

The original pulpmill came into operation late in 1949 with a designed capacity of 120 tons per day of unbleached kraft. Since that time, additions and improvements have increased mill production to a current level of 215 tons per day. In 1963, more than half of this production was sold in the world market. The balance of the Newcastle production was bleached at the Edmundston mill and used in the manufacture of paper at the Madawaska, Maine mills of the Company.

To maintain the present production, many of the existing facilities are strained to the limit. Further, to compete in the world market today, the efficiency of a larger production unit and an integrated bleaching operation is essential. Accordingly, with the increasing world demand for kraft fibre, a decision was made to expand the capacity of the Newcastle mill to the equivalent of 500 tons per day of unbleached kraft. To assure a sufficient wood supply on a sustained yield basis for the expanded operation, the Government of New Brunswick has undertaken to make available additional areas of Crown lands in the Miramichi District.

Engineering design for the expansion project is presently well advanced. The new facilities will include a new mill water supply system, increased wood handling capacity, a continuous digester, new recovery boiler, bleaching plant and additional pulp drying capacity. On completion of this project in the second half of 1965, the Newcastle mill will manufacture bleached, semi-bleached and unbleached kraft woodpulp for market and internal use.

FOR THE YEAR

1963

1962

1961

QUANTITIES SHIPPED:

PULP, PAPER AND PAPERBOARD (tons) 322,133 284,889 268,912

LUMBER (M f.b.m.) 32,733 29,519 31,089

NET SALES \$61,862,028 \$59,304,412 \$55,605,429

TAXES ON INCOME 3,571,000 3,925,000 3,311,000

INCOME TAXES PER COMMON SHARE 1.60 1.76 1.49

NET EARNINGS FOR THE YEAR 4,187,572 4,224,900 3,380,577

EARNED PER COMMON SHARE 1.88 1.90 1.52

DIVIDENDS DECLARED PER COMMON SHARE 1.40 1.40 1.20

NET ADDITIONS TO PLANTS AND PROPERTIES 5,561,513 3,801,522 2,443,956

DEPRECIATION AND DEPLETION 4,887,256 4,756,833 3,980,534

END OF YEAR

WORKING CAPITAL \$16,542,091 \$15,086,114 \$13,379,380

CURRENT RATIO (Current assets to current liabilities) 2.8 2.8 2.7

BONDED DEBT \$1,050,000 \$1,400,000 \$ 1,750,000

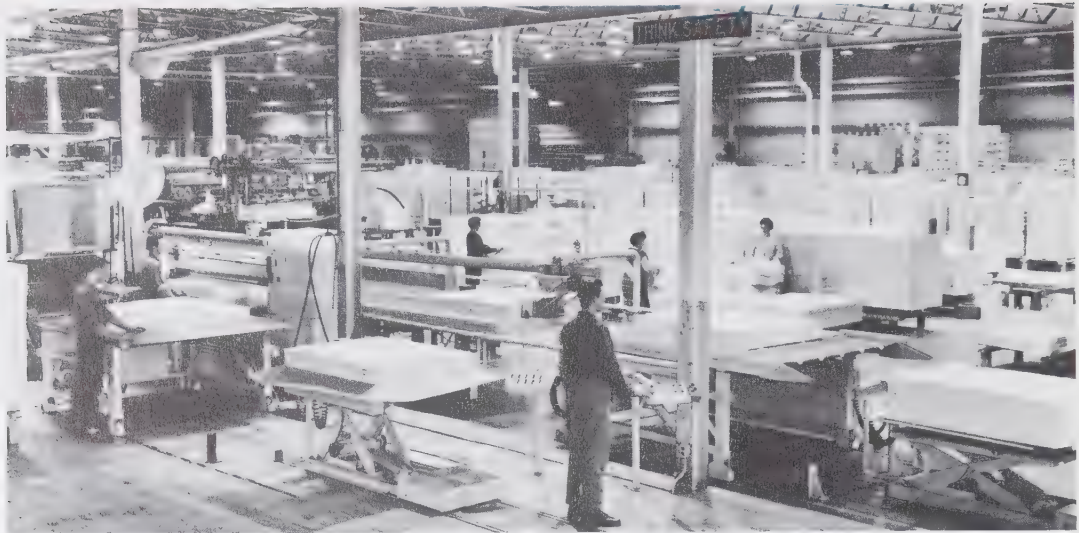
COMMON SHAREHOLDERS' EQUITY 49,188,652 45,103,140 43,994,783

NOTE: 2,226,102 common shares were outstanding from 1954 to 1963 inclusive.

COMPARISON

1960	1959	1958	1957	1956	1955	1954
240,288	240,396	242,454	265,214	284,815	273,169	253,668
27,119	31,397	27,691	23,042	30,299	32,746	32,180
\$53,745,497	\$55,133,065	\$54,564,038	\$57,557,950	\$60,763,503	\$55,229,467	\$50,337,139
3,380,000	4,271,000	4,484,000	5,081,000	6,338,000	5,230,000	4,636,000
1.52	1.92	2.02	2.28	2.85	2.35	2.08
3,613,208	4,150,700	4,621,859	5,298,524	6,705,642	5,710,785	4,868,171
1.62	1.86	2.07	2.38	3.01	2.56	2.16
1.20	1.50	1.50	1.50	1.65	1.50	1.00
7,589,835	5,097,985	4,346,182	6,482,333	5,011,088	4,174,830	2,416,128
3,669,815	3,627,707	3,938,841	3,726,790	3,621,535	3,418,655	3,115,694
\$11,489,722	\$14,823,746	\$15,839,244	\$15,319,393	\$16,471,023	\$15,183,385	\$13,913,737
2.5	2.8	2.8	2.5	2.5	2.5	2.6
\$ 2,100,000	\$ 2,450,000	\$ 2,800,000	\$ 3,150,000	\$ 3,500,000	\$ 3,850,000	\$ 4,200,000
43,285,528	42,343,642	41,532,096	40,249,390	38,290,019	35,257,445	32,876,813

IMPROVEMENTS IN 1963



New sheet trimmer and a portion of the Madawaska Mill finishing room.



Madawaska Bond Mill Paper testing Laboratory.

Improvement in quality is an important objective in planning the capital expenditures of this Company. The paper finishing facilities at the Madawaska, Maine paper mill shown on this page are examples of such expenditures in 1963. The new trimmer in the foreground of the top picture is a highly automated machine for cutting paper to the sizes specified by our customers. Close dimensional tolerances are imperative. The installation of this equipment is part of the program to further improve the paper finishing operations at Madawaska. This program is designed to increase efficiency and achieve a higher standard of quality.

The lower picture shows the new paper testing laboratory in the Madawaska mill finishing room. Trained personnel have available modern testing equipment in this laboratory to ensure that the final product meets our quality specifications. This represents the final testing in a sequence of control tests conducted at each phase of the manufacturing process.

Capital expenditures in 1963 also include continuation of the paper machine modernization program and improvements to the coating machine at Madawaska, a new barker and chipping plant at the Plaster Rock sawmill to supply chips for the Edmundston pulpmill, and other projects designed to improve quality or manufacturing efficiency.

FRASER QUALITY PRODUCTS

MANUFACTURED IN CANADA

FRASER PULPS

Unbleached Kraft

for: — Specialty Papers - Paperboard

Restigouche Bleached and Unbleached Sulphite

for: — Bond - Book - Offset and Business Forms - Sanitary and Cleansing Tissues - Paperboard

Unbleached Groundwood

for: — Book and Specialty Papers - Paperboard

FRASER PAPERBOARDS

Coated and Uncoated Paperboards - Single and Double White Lined Boards - Fra-Pak Solid Bleached Board

for: — Food Containers - Folding Boxes Specialties

FRASER LUMBER

Eastern Canadian Spruce

MANUFACTURED IN U.S.A.

FRASER PRINTING PAPERS

Snowland Bond - Snowland Ledger - Snowland Manifold - Snowland Mimeograph - Snowland Duplicator and Offset Papers

for: — Commercial Printing

Fra-O-Form - Kopy Klear Opaque

for: — Multicopy and continuous Forms

Fra-Opaque - Fra-O-Text - Sno-Text

for: — Direct Mail Advertising - Reference Books

FRASER CONVERTING PAPERS

Fracote - Giftcote - Convertcote - Specialty Coated and Uncoated Papers

for: — Carton Wraps - Bread Wraps - Bands and End Labels - Frozen Food Wraps - Treated Food Wraps - Drinking Straws - Giftwraps-Waxings - Greeting Cards - Charts - Stamps-Tablets - Envelopes - Flameproof Decorative Papers and other Specialty Paper Products

FRASER GROUNDWOOD PAPERS

Lightweight Specialties in gravure, Letterpress and Offset Finishes

for: — Catalogue - Directories - Publications

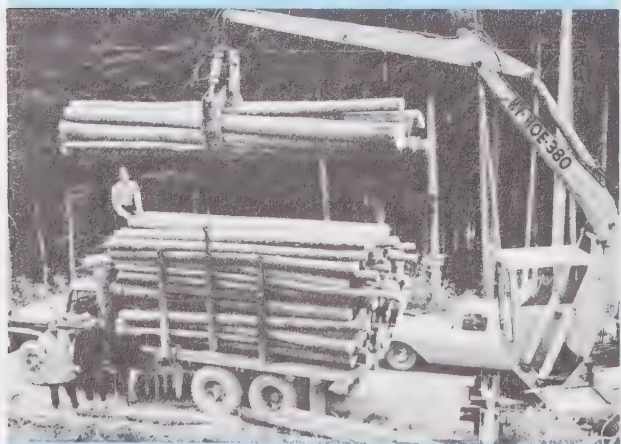
WOODLANDS OPERATIONS



1 — Wheeled skidder hauling out tree length logs to road.



2 — Piling unit assembling logs after they have been cut into 16' lengths.



3 — Hydraulic loader loading logs on truck for haul to mill.

The trend in recent years has been towards multiple use of forest lands. The Company, working in close association with other interested parties, is continually striving to obtain greater benefits from these lands. The lure of the forest is attracting in ever increasing numbers those who are seeking the pleasant pursuits to be found there. Hundreds of miles of woods motor roads constructed by the Company for its operations have opened up many wooded areas of fine scenic beauty, which a few years ago were non-accessible.

An extensive silvicultural research program in the Green River forest area just north of Edmundston, participated in by the Company and the Governments of Canada and New Brunswick, has provided much useful information for the preservation and well-being of forest lands. Many of the lessons learned from this program have now been embodied in forest management programs and are applied in all the woods divisions of the Company.

Forest Protection Limited, of which we are a member, is continuing its fight against the spruce budworm. The results from the spraying program carried out over the past several years have been most beneficial. The situation in eastern Quebec and northern New Brunswick is such that no further spraying is indicated in these areas. Control of the insect in central New Brunswick now appears to be in sight and a spraying program for this region is planned for the summer of 1964.

Another interesting feature of the Company's woodlands operations is its logging development program. The principal purpose of this program is to develop and test improved methods of wood harvesting under actual operating conditions. The knowledge gained from this program has resulted in the use of mechanical equipment in the forest for yarding, piling and loading logs.

The improved system of wood harvesting has been adopted in our Plaster Rock Division. Instead of four foot pulpwood lengths and log lengths, all merchantable spruce and fir trees are cut in log lengths only. Economies are being effected through this increased use of mechanical handling methods. The sequence of pictures shows four steps of a tree from the forest to the sawmill. The trees, once they



4— *Plaster Rock Sawmill and chipping plant.*

have been cut and the top and branches removed, are brought to an intermediate landing by a wheeled skidder (Picture No. 1) where they are sawn into log lengths and piled mechanically (Picture No. 2). The logs are then loaded on trucks by means of a hydraulic loader (Picture No. 3) and transported to the sawmill at Plaster Rock (Picture No. 4).

Modifications and additions have recently been made in the Plaster Rock sawmill to permit optimum utilization of all logs, both large and small. After being mechanically barked the logs are sorted so that the largest and best logs are sawn into lumber.

The smaller logs go directly to a chipper to produce chips for use in the pulpmill. Together with chips manufactured from the sawmill waste they are loaded by a pneumatic system into open top railroad cars (Picture No. 5) for shipment to the Edmundston Pulpmill.

This improved system of wood harvesting will reduce waste in the forest and the sawmill will utilize the merchantable content of the logs to produce lumber and chips. The bark and sawdust serve as fuel which is used to provide much of the power necessary to operate the sawmill.



5— *Chips are transported from plant by pipeline and loaded in rail cars.*

MILLS AND OFFICES

FRASER COMPANIES, LIMITED

GENERAL AND EXECUTIVE OFFICES EDMUNDSTON, NEW BRUNSWICK

MILLS

EDMUNDSTON, N.B.	Sulphite and groundwood pulpmills, sulphite and kraft bleaching plants and paperboard mill
ATHOLVILLE, N.B.	Bleached sulphite pulpmill
NEWCASTLE, N.B.	Unbleached kraft pulpmill
SHEET HARBOUR, N.S.	Groundwood pulpmill
PLASTER ROCK, N.B.	Sawmill and dressing mill
CABANO, P.Q.	Sawmill and dressing mill

DIVISIONAL OFFICES FOR DISTRICT WOODS OPERATIONS

EDMUNDSTON, N.B.
NEWCASTLE, N.B.
ATHOLVILLE, N.B.
PLASTER ROCK, N.B.
CABANO, P.Q.

SALES OFFICES

ROYAL BANK OF CANADA BUILDING, 1, PLACE VILLE MARIE, MONTREAL 2, QUEBEC	Pulp and paperboard sales
159 BAY ST., TORONTO 1, ONTARIO	Paperboard sales
EDMUNDSTON, NEW BRUNSWICK	Lumber sales

FRASER PAPER, LIMITED *(Subsidiary Company)*

MILLS

MADAWASKA, MAINE	{ Paper mills manufacturing high grade specialty papers from chemical and groundwood pulps
------------------	---

SALES OFFICES

420 LEXINGTON AVE., NEW YORK 17, N.Y.
111 W. WASHINGTON ST., CHICAGO 2, ILL.



One of the paper loading bays at the Madawaska, Maine Paper Mill.

AUDITORS

- TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants,
Royal Bank Building,
1 Place Ville Marie,
Montreal, Quebec

STOCK TRANSFER AGENT AND REGISTRAR

- MONTREAL TRUST COMPANY
P.O. Box 1900,
Station B,
Montreal 2, Quebec
- 112 King Street West,
Toronto, Ontario
- 43 King Street,
Saint John, New Brunswick
- 466 Howe Street,
Vancouver, B.C.

STOCK LISTED

- MONTREAL STOCK EXCHANGE
- TORONTO STOCK EXCHANGE

THE ANNUAL GENERAL MEETING of the Shareholders of Fraser Companies, Limited will be held at the general office of the company at Edmundston, N.B. on Wednesday, the 25th day of March, 1964, at the hour of ten o'clock in the forenoon, Atlantic Standard Time.



FRASER COMPANIES, LIMITED



FRASER COMPANIES, LIMITED

GENERAL BY-LAWS

1963

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FRASER COMPANIES, LIMITED

GENERAL BY-LAWS

1963

FRASER COMPANIES, LIMITED

GENERAL BY-LAWS

Enacted on the Twenty-third day of January, 1963.

BY-LAW ONE

NAME OF COMPANY, SITUATION OF OFFICES AND CORPORATE SEAL

ARTICLE 1—NAME—The corporate name of the Company is FRASER COMPANIES, LIMITED.

ARTICLE 2—SITUATION OF OFFICES—The head office of the Company shall be at Plaster Rock, Victoria County, New Brunswick, Canada.

In addition to its head office, the Company may establish and maintain such other offices, places of business and agencies elsewhere within and without Canada as may, from time to time, be required for the operations of the Company.

ARTICLE 3—SEAL—The corporate seal of the Company shall be circular in form and shall bear the name of the Company and the year of its incorporation. The Chairman of the Board, the President, any Vice-President, the Secretary, the Treasurer, any Assistant Secretary or any Assistant Treasurer or such other officer or director of the Company as the Board of Directors may appoint shall each and all have authority to affix the corporate seal of the Company to any document requiring the same.

BY-LAW TWO

SHAREHOLDERS

ARTICLE 1—ANNUAL MEETINGS—The annual meeting of the shareholders of the Company shall be held on such date as the Board of Directors may determine, from time to time, by resolution.

Annual meetings of the shareholders of the Company shall be held at the head office of the Company or at such other place, within Canada, as may be fixed, from time to time, by resolution of the Board of Directors.

ARTICLE 2—SPECIAL GENERAL MEETINGS—Special general meetings of the shareholders may be convened at any time as follows:

- (a) by order of the Chairman of the Board or the President or any Vice-President who is a Director of the Company; or
- (b) by or under the authority of a resolution of the Board of Directors; or
- (c) whenever the holders of not less than one-tenth (1/10) of the outstanding shares of the Company carrying voting rights at such meeting shall, in writing, request the same.

Any such order, resolution or request shall specify the object or objects for which the meeting is to be called. The notice of a special general meeting shall state in general terms the purpose or purposes of such meeting.

It shall be the duty of the Chairman of the Board or, in his absence the President or, in the absence of both the Chairman of the Board and the President, or one of the Vice-Presidents, upon adoption of such a resolution or on receipt of such a requisition, to cause the meeting to be called by the Secretary of the Company in conformity with the terms of such resolution or requisition. In default of his so doing, any director may call such meeting or the same may be called by such shareholders themselves in accordance with and subject to the provisions of the laws governing the Company.

Special general meetings of the shareholders shall be held at the head office of the Company or at any other place or places within Canada previously approved by resolution of the directors.

ARTICLE 3—NOTICE OF MEETING—Notice specifying the place, day and hour of each annual and of each special general meeting of the shareholders shall be served upon the shareholders entitled thereto or mailed, postage prepaid, addressed to such shareholders at their respective addresses as they appear on the books of the Company, at least fourteen (14) clear days before the date fixed for the meeting.

No notice of the time, place or purpose of any meeting of shareholders, whether prescribed by law or by the by-laws, need be given to any shareholders who attend in person or who are represented by proxy or to any shareholder who, in writing or by telegram or cable filed with the records of the meeting, either before or after the holding thereof, waives such notice.

Irregularities in the notice or in the giving thereof as well as the accidental omission to give notice of any meeting to, or the non-receipt of any such notice by, any of the shareholders shall not invalidate any action taken by or at any such meeting.

ARTICLE 4—CHAIRMAN—The Chairman of the Board or, in his absence the President or, in the absence of both the Chairman of the Board and the President, one of the Vice-Presidents who is the holder of at least one share carrying voting rights at such meeting shall preside at all meetings of the shareholders. If the Chairman of the Board, the President and all such Vice-Presidents be absent or decline to act, the persons present may choose some one of their number to be chairman.

ARTICLE 5—QUORUM, VOTING AND ADJOURNMENTS—Two (2) or more persons personally present, each of whom shall be entitled to vote thereat either personally or as the authorized representative of a corporation holding at least one (1) share carrying voting rights thereat and representing either in their own right or by proxy or as representatives of such a corporation not less than twenty per cent (20%) of the outstanding shares of capital stock of the Company carrying voting rights thereat, shall constitute a quorum for an annual general meeting or a special general meeting of the shareholders of the Company.

Any resolution or act adopted or approved by a majority of the votes cast at any such meeting shall be the act of the shareholders, except where the vote or consent of the holders of a greater number of shares is required or directed by the laws governing the Company, by the Letters Patent incorporating the Company or by any Letters Patent supplementary thereto or by the by-laws of the Company. Any previous action of the Board of Directors or of the officers of the Company may be ratified by a majority of the votes cast at any annual or special general meeting.

If within half an hour from the time appointed for the holding of a general meeting convened by or upon the request of shareholders as hereinbefore provided, a quorum is not present, the meeting shall be dissolved.

Should a quorum not be present at any other meeting of the shareholders, those present in person and entitled to be counted for the purpose of forming a quorum shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present. Any meeting at which a quorum is present may also be adjourned from time to time (without notice other than announcement at the meeting) to such date as may be determined at the meeting. At any adjourned meeting, provided a quorum is present, any business may be transacted which might have been transacted at the meeting adjourned.

ARTICLE 6—RIGHT TO VOTE AND PROXY—Corporations owning shares of the capital stock of the Company entitled to vote at any meeting of the shareholders of the Company or at any meeting of any class of shareholders of the Company may act and vote thereat by a duly authorized representative, but such authorized representative need not be a shareholder of the Company.

At all meetings of shareholders each shareholder entitled to vote thereat and each authorized representative of a corporation holding at least one (1) share carrying voting rights thereat, who shall be present at such meeting, shall have on a show of hands one (1) vote and, upon a poll, each shareholder present in person or represented by proxy and the authorized representative of a corporation present in person or represented by proxy shall be entitled to one (1) vote for each share carrying voting rights at such meeting registered in his or its name on the books of the Company unless, under the terms of the Letters Patent incorporating the Company or any Letters Patent supplementary thereto, some other scale of voting is fixed, in which event such scale of voting shall be adopted. Any shareholder or the authorized representative of a corporation entitled to vote may demand a poll in respect of any matter submitted to the vote of the shareholders.

Shareholders (including a corporation) entitled to vote may vote upon a poll by written proxy at all meetings of the shareholders, and the representative of a corporation entitled to vote may likewise vote by proxy if duly authorized in that behalf by such corporation. The holder of any proxy must himself be a shareholder entitled to be present and vote at the meeting, or have been appointed to act at the meeting as the authorized representative of a corporation and any instrument appointing a proxy shall be valid until withdrawn by notice in writing to the Company.

The proxy shall be in the following form or to like effect:

FRASER COMPANIES, LIMITED

PROXY

The undersigned being a shareholder of Fraser Companies, Limited hereby appoints
of
or failing him of
or failing him of
a shareholder of the said Company, as my proxy to vote for me and on my behalf at the Annual
(or Special) General Meeting of Shareholders of the Company, to be held at
on the day of
and at any adjournment thereof with power of substitution; all previous proxies being hereby
revoked.

Dated this day of 19

.....
Signature

ARTICLE 7—SCRUTINEERS—The Chairman at any meeting of shareholders may appoint one (1) or more persons (who need not be shareholders) to act as scrutineer or scrutineers at such meeting.

ARTICLE 8—ADDRESSES OF SHAREHOLDERS—Every shareholder shall furnish to the Company an address to or at which all corporate notices intended for such shareholder shall be mailed or served upon him; and, if any shareholder shall not furnish such address, any such notice may be addressed to him at any other address of such shareholder at that time appearing on the books of the Company. If no address appears on the books of the Company, such notice may be mailed to such address as the person sending the notice may consider to be the most likely to result in such notice promptly reaching such shareholder.

BY-LAW THREE

BOARD OF DIRECTORS

ARTICLE 1—NUMBER OF DIRECTORS—The Board of Directors of the Company shall consist of fifteen (15) directors.

ARTICLE 2—QUALIFICATION AND TERM OF OFFICE—Each director shall (except as herein otherwise provided) be elected at the annual meeting of the shareholders by a majority of the votes cast in respect of such election. It shall not be necessary that the voting for the election of directors of the Company be conducted by poll, unless voting by poll is requested by someone present and entitled to vote at the meeting at which such election takes place. Each director so elected shall hold office until the election of his successor, unless he shall resign or his office become vacant by death, removal or other cause. Each director during his tenure of office shall be the holder of at least one (1) common share of capital stock of the Company and shall not be in arrears in respect of any calls thereon.

The office of a director shall ipso facto be vacated: (a) if he becomes bankrupt or suspends payment or compounds with his creditors or makes an authorized assignment or is declared insolvent; (b) if he is found to be a lunatic or becomes of unsound mind; or (c) if by notice in writing to the Company he resigns his office.

ARTICLE 3—GENERAL POWERS OF DIRECTORS—The directors of the Company shall administer the affairs of the Company in all things, and make or cause to be made for the Company, in its name, any description of contract which the Company may lawfully enter into and generally shall exercise all such other powers and do all such other acts and things as the Company is, by its letters patent or supplementary letters patent or otherwise, authorized to exercise and do.

Without in any way derogating from the foregoing, the directors are expressly empowered, from time to time, to purchase, lease or otherwise acquire, alienate, sell, exchange or otherwise dispose of shares, bonds, debentures, stocks, rights, warrants, options and other securities, lands, buildings and/or other property, moveable or immoveable or mixed, real or personal, or any right or interest therein, for such consideration and upon such terms and conditions as they may deem advisable.

All acts done by any meeting of the directors or by any person acting as a director, so long as his successor shall not have been duly elected or appointed, shall, notwithstanding that it be afterwards discovered that there was some defect in the election of the directors or such person acting as aforesaid or that they or any of them were disqualified, be as valid as if the directors or such other person, as the case may be, had been duly elected and were or was qualified to be directors or a director of the Company.

ARTICLE 4—POWER TO ALLOT STOCK AND GRANT OPTIONS—The shares of the Company shall be at all times under the control of the directors who may by resolution, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of the Company to such directors, persons, firms, companies or corporations on such terms and conditions, for such consideration not contrary to law or to the letters patent or supplementary letters patent of the Company and at such times as such resolutions shall prescribe.

The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares. Each shareholder shall pay the amount called on his share at the time or times and at the place fixed by the directors. Interest shall run on the amount of each call at the rate of six per cent (6%) per annum from the date appointed for the payment of such call to the time of actual payment.

ARTICLE 5—POWER TO DECLARE DIVIDENDS—The directors may, from time to time, by resolution declare dividends and pay the same out of the funds of the Company available for dividends to the shareholders according to their respective rights and interests therein.

The dividends payable upon any share which is not fully paid-up shall be reduced by a proportion equal to that proportion of the full consideration for such share which has not been paid. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purpose of this by-law as paid on the share.

The directors may, before declaring any dividend or making any distribution of profits, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for any purpose to which the profits of the Company may be properly applied.

ARTICLE 6—MEETINGS AND NOTICE—Immediately after the annual meeting of shareholders in each year a meeting of such of the newly elected directors as are then present shall be held, provided they shall constitute a quorum, without further notice, for the election and/or appointment of officers of the Company, and the transaction of such other business as may come before them.

Meetings of the Board of Directors may be convened and held within or without Canada at any time by order of the Chairman of the Board, the President or any Vice-President who is a director or any two directors and notice specifying the place, day and hour of each such meeting shall be served upon each of the directors or left at his usual residence or usual place of business, or shall be mailed, postage prepaid, or sent by telegram or cable, addressed to each of the directors at his address as it appears on the books of the Company at least two (2) clear days prior to the date fixed for such meeting. Any meeting so called may be held at the head office of the Company or at such other place designated in the notice.

Meetings of the Board of Directors may be held at any time and place and for any purpose without formal notice if all the directors are present or those absent have signified their consent in writing to the meeting being held in their absence. Notice of any meeting or any irregularity in any meeting or the notice thereof may be waived by any director either before or after the meeting is held.

ARTICLE 7—QUORUM—The directors may, from time to time, fix by resolution the quorum for meetings of the Board of Directors, but until otherwise fixed three (3) directors in office from time to time shall constitute a quorum for the transaction of business. Any meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the by-laws of the Company for the time being vested in or exercisable by the directors generally. Questions arising at any meeting of directors shall be decided

by a majority of votes. In the event of an equality of votes the Chairman of the meeting, in addition to his original vote, shall have a second or casting vote.

ARTICLE 8—REMOVAL OF DIRECTORS—Any director may be removed from office (either with or without cause) at any special general meeting of the shareholders called for that purpose by a majority of the votes cast by the holders of the shares represented and carrying voting rights at the meeting and by resolution at the same meeting another duly qualified person may be elected in his stead. The person so elected shall hold office during such time only as the director in whose place he was elected would have held the same if he had not been removed.

ARTICLE 9—VACANCIES, ADDITIONAL DIRECTORS—In the case of an increase at any time in the number of directors of the Company or in case of a vacancy occurring in the Board of Directors through death, resignation, disqualification or other cause (except when removed and replaced as provided in Article 8 of this By-law THREE) the directors then in office, by the affirmative vote of a majority of such directors then in office, although such majority be less than a quorum, shall have power at any time and from time to time, to elect any other duly qualified person as a director and any director so elected shall, subject to the provisions of Article 8 of this By-law THREE, hold office until the next following meeting of the shareholders of the Company at which directors are elected and shall then be eligible for re-election, but the Board of Directors shall not at any time exceed the number fixed. Any director may at any meeting of the directors tender his resignation and the remaining directors may, subject to the provisions of this Article, at such meeting accept the same and forthwith fill the vacancy thereby created.

ARTICLE 10—REMUNERATION OF DIRECTORS—The remuneration to be paid to the directors shall be such as the Board of Directors shall from time to time determine. The Board of Directors may also by resolution award special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company.

ARTICLE 11—BY-LAWS AND RESOLUTIONS—All by-laws and resolutions of the Board of Directors shall be enacted or adopted at duly convened meetings. Notwithstanding the foregoing, the signature of all the directors of the Company to any instrument (which may be signed in counterparts) setting out a by-law or resolution which might be enacted or adopted by the Board of Directors shall give to such by-law or resolution the same force and effect as if the same had been unanimously enacted or adopted, as the case may be, by vote of the Board of Directors at a meeting duly convened and held.

BY-LAW FOUR

OFFICERS

ARTICLE 1—OFFICERS—The Officers of the Company shall be a President, a Vice-President, a Treasurer and a Secretary. If deemed advisable, the Board of Directors may elect or appoint a Chairman of the Board, one or more Vice-Presidents, a General Manager or a Managing Director, a Controller and one or more Assistant Treasurers and Assistant Secretaries. Such officers shall be elected or appointed by the Board of Directors at the first meeting of the Board of Directors after each annual meeting of shareholders and such officers of the Company shall hold office until their

successors are chosen and, where necessary, qualified in their stead. There may also be appointed such other officers as the Board of Directors may, from time to time, deem necessary. Such officers shall respectively perform such duties, in addition to those specified in the by-laws of the Company, as shall, from time to time, be prescribed by the Board of Directors. The same person may hold more than one office, provided however, that the offices of President and Vice-President shall not be held by the same person. The Chairman of the Board, if any, the President and the Managing Director shall be directors. Other officers need not be directors.

ARTICLE 2—CHAIRMAN OF THE BOARD—The Chairman of the Board shall, when present, preside at all meetings of the shareholders and at all meetings of the Board of Directors and shall possess and may exercise such powers and fulfil such duties as the Board of Directors may, by resolution, from time to time, determine.

ARTICLE 3—PRESIDENT—The President shall, except when the Chairman of the Board is present thereat, preside at all meetings of the shareholders and at all meetings of the Board of Directors. He shall, unless otherwise provided by resolution of the Board of Directors, be the chief executive officer of the Company, and if no General Manager or Managing Director is appointed, shall exercise a general control of and supervision over its affairs. He shall have such other powers and duties as the Board of Directors may, by resolution, from time to time, determine.

ARTICLE 4—VICE-PRESIDENT OR VICE-PRESIDENTS—The Vice-President or Vice-Presidents shall have such powers and duties as may be assigned to him or them respectively by the Board of Directors or the President or such other Officer as may have been appointed the Chief Executive Officer of the Company. In case of absence or disability of the President, such Vice-President as may be designated by the President or such other Officer as may have been appointed the Chief Executive Officer of the Company may exercise the powers and perform the duties of the President (except that he shall not preside at any meeting of the Shareholders or at any meeting of the Board of Directors unless otherwise qualified to be present thereat) and if such Vice-President exercises any of the powers or performs any of the duties of the President, the absence or disability of the President shall be presumed.

ARTICLE 5—TREASURER—The Treasurer, subject to supervision and control by the President or Vice-President, shall have custody of all the funds and securities of the Company, and shall make or cause to be made all collections and disbursements of funds and receipts and deliveries of securities for the purposes of the Company and shall report thereon as required to the President or to the designated Vice-President. He shall enter or cause to be entered regularly, in the books of the Company to be kept for the purpose, full and accurate account of all moneys received and paid by him on account of the Company, and of all receipts and deliveries of securities for the purposes of the Company.

Assistant Treasurers may perform any of the duties of the Treasurer delegated to them, from time to time, by the Board of Directors or by the Treasurer.

ARTICLE 6—SECRETARY—The Secretary shall have custody of the Corporate Seal, and such books and papers as the Board of Directors may direct, and he shall in general perform all the duties incident to the office of Secretary, subject to the control of the President or the designated Vice-President. He shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the Shareholders, in books provided for that purpose. He shall attend to the giving and serving of all notices of the Company.

Assistant Secretaries may perform the duties of the Secretary delegated to them, from time to time, by the Board of Directors or by the Secretary.

ARTICLE 7—CONTROLLER—The Controller shall be responsible for application of appropriations of money in accordance with authorization therefor, and shall from time to time examine and report as required upon the conduct of the Company's operations and the maintenance of its plant and equipment. He shall cause to be kept accurate and true records of the financial operations of the Company and of the costs of manufacture and distribution of the products of the Company, and such records shall be made currently available for the information and use of the President or the designated Vice-President. He shall present at proper times to the President or to the designated Vice-President statements of the financial condition of the Company and of the results of operation.

ARTICLE 8—REMOVAL—The Board of Directors, by an affirmative vote of the majority of the Board, at any meeting, may remove any or all of the Officers or employees, either with or without cause, and may elect or appoint others in their place or places. Any officer not designated by title in Article 1 of this By-law FOUR or other employee of the Company may also be discharged, either with or without cause, by the Chairman of the Board, the President or any Vice-President.

ARTICLE 9—REMUNERATION—The remuneration of all officers of the Company shall be determined from time to time by resolution of the Board of Directors or by such other officer or officers as may, from time to time, be designated for that purpose by resolution of the Board of Directors.

BY-LAW FIVE

EXECUTIVE COMMITTEE

The Board of Directors may from time to time elect from their number an Executive Committee consisting of such number of members (not less than three (3)) as the Board of Directors may, by resolution, from time to time determine. Such members shall include the President of the Company. Each member of the Executive Committee shall hold office during the pleasure of the Board of Directors.

The Board of Directors may, by resolution, from time to time remove any member without cause or add to or otherwise change the membership of the Executive Committee and may adopt rules or regulations relating to the calling and holding of and the quorum at meetings of the Executive Committee and the procedure thereat.

The Executive Committee shall, subject to any regulations the Board of Directors may from time to time make, be competent to exercise all or any of the powers, authorities and discretion vested in or exercisable by the Board of Directors, save and except only such acts as must by law be performed by the Board of Directors.

The remuneration to be paid to the members of the Executive Committee shall be such as the Board of Directors shall from time to time determine.

BY-LAW SIX

CAPITAL STOCK

ARTICLE 1—SHARE CERTIFICATES AND STOCK TRANSFERS—Certificates representing shares of the capital stock of the Company shall be in such form as shall be approved by the Board of Directors. Such certificates shall bear the signature of the Chairman of the Board or the

President or any Vice-President and the Secretary or any Assistant Secretary of the Company, provided that the signature of the Chairman of the Board or the President or any Vice-President may be engraved, lithographed or otherwise mechanically reproduced thereon, and, should the Company have appointed a transfer agent, the signature of the Secretary or any Assistant Secretary may also be engraved, lithographed or otherwise mechanically reproduced on such certificate. Any certificates bearing the facsimile reproductions of the signature of any such authorized officers shall be deemed to have been manually signed by them and shall be as valid to all intents and purposes as if they had been manually signed, notwithstanding that the persons whose signatures are so reproduced shall, at the time that the certificate is issued or on the date of such certificate, have ceased to be officers of the Company. It shall not be necessary to affix the corporate seal of the Company to any share certificate.

ARTICLE 2—TRANSFER OF SHARES—A register of transfers shall be kept either at the head office of the Company or at such other office or place in Canada as may be established, from time to time, by resolution of the Board of Directors, and one or more branch registers of transfers may be kept at such office or offices of the Company or other place or places within Canada or elsewhere as may, from time to time, be appointed by resolution of the Board of Directors. Such register of transfers and branch registers of transfers shall be kept by the Secretary or by such other officer or officers as may be specially charged with the duty or by such agent or agents as may be appointed, from time to time, for the purpose by resolution of the Board of Directors.

All transfers and transmissions of shares of the capital stock of the Company shall be entered and particulars of all such transfers and transmissions shall be recorded in the register of transfers or in a branch register of transfers. Entry of the transfer or transmission of any shares of the capital stock of the Company in the register of transfers or in a branch register of transfers, whether kept at the head office of the Company or elsewhere, shall be a complete and valid transfer or transmission, as the case may be. All shares of the capital stock of the Company shall be transferable in the register of transfers or in any branch register of transfers, regardless of where the certificate representing the shares to be transferred or transmitted shall have been issued.

A book or books shall be kept at the head office of the Company, or at the place where the register of transfers is kept, in which shall be recorded a copy of the particulars of every transfer and transmission of shares of the capital stock of the Company entered on every branch register of transfers.

No transfer or transmission of shares of the capital stock of the Company shall be valid, nor shall the same be entered in such register of transfers or branch register of transfers, unless and until the certificates representing the shares to be transferred or transmitted, as the case may be, have been surrendered and cancelled. No transfer of shares whereof the whole amount has not been paid in full shall be made without the consent of the Board of Directors. In no case shall any shares be transferable until all calls payable thereon have been fully paid.

ARTICLE 3—TRANSFER AGENTS AND REGISTRARS—The Board of Directors may appoint or remove, by resolution, from time to time, transfer agents and/or registrars of transfers and transmissions of shares of the capital stock of the Company and make regulations generally, from time to time, with reference to the transfer and transmission of the shares of the capital stock of the Company. Upon any such appointment being made all certificates representing shares of the capital stock of the Company thereafter issued shall be countersigned by one of such transfer agents and/or one of such registrars of transfers and shall not be valid unless so countersigned.

ARTICLE 4—LOST AND DESTROYED CERTIFICATES—The Board of Directors may, upon such terms and conditions as to indemnity or otherwise as they deem expedient, direct

that a new certificate for shares of the capital stock of the Company may be issued to replace any certificate theretofore issued by the Company that has been worn out, lost or destroyed.

ARTICLE 5—CLOSING OF BOOKS, RECORD DATES—The Board of Directors may by resolution fix a time, not more than thirty days before the date of any meeting of shareholders, any dividend payment date or any date for the taking effect of an allotment of rights to subscribe to new shares, during which the books of the Company shall be closed against transfers of stock. In lieu of providing for the closing of the books against transfers of stock as aforesaid, the Board of Directors may by resolution fix a date not more than thirty days preceding the date of any meeting of shareholders or any dividend payment date or any date for the taking effect of an allotment of rights, as a record date for the determination of shareholders entitled to notice of and/or to vote at such meeting or entitled to receive such dividends or allotment of rights as the case may be; and only shareholders of record on the date so fixed shall be entitled to notice of and/or to vote at such meeting or to receive such dividends or allotment of rights as the case may be, and transfers of shares recorded after such record date shall not pass any right to notice of or to vote at such meeting or to receive such dividends or allotment of rights as the case may be.

BY-LAW SEVEN

FINANCIAL YEAR AND AUDIT

ARTICLE 1—FINANCIAL YEAR—Until otherwise ordered by the Board of Directors, the financial year of the Company shall end on the thirty-first (31st) day of December in each year.

ARTICLE 2—AUDIT—The appointment, rights and duties of the auditor or auditors of the Company shall be regulated by the laws governing the Company. At least once in every financial period the accounts of the Company shall be examined and the correctness of the statement of income and expenditure and of the balance sheet ascertained by such auditor or auditors.

BY-LAW EIGHT

CONTRACTS, CHEQUES, DRAFTS, BANK ACCOUNTS

ARTICLE 1—CONTRACTS—All deeds, documents, transfers, contracts, engagements, bonds, debentures and other instruments requiring execution by the Company shall be signed by the Chairman of the Board or the President or any Vice-President and the Secretary or Treasurer or any Assistant Secretary or any Assistant Treasurer or any director or as the Board of Directors may otherwise, by resolution, from time to time authorize. Any such authorization may be general or confined to specific instances. Save as aforesaid or as otherwise provided in the by-laws of the Company, no director, officer, agent or employee shall have any power or authority to bind the Company by any contract or engagement or to pledge its credit.

It shall be the duty of any director of the Company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company to declare his interest at a meeting of the Board of Directors of the Company and, subject to the provisions of the laws governing the Company, to refrain from voting in respect of any contract or proposed contract in which such director is so interested as aforesaid and otherwise to observe the provisions of said laws.

ARTICLE 2—CHEQUES AND DRAFTS—All cheques, bills of exchange or other orders for the payment of money, notes or other evidences of indebtedness issued, accepted or endorsed in the name of the Company shall be signed by such director or directors, officer or officers, agent or agents of the Company and in such manner as shall be determined, from time to time, by resolution of the Board of Directors, and any one of such directors, officers or agents may alone endorse notes and drafts for collection on account of the Company through its bankers and endorse notes and cheques for deposit with the Company's bankers for the credit of the Company or the same may be endorsed "for collection" or "for deposit" with the bankers of the Company by using the Company's rubber stamp for the purpose. Any one of such directors, officers, or agents so appointed may arrange, settle, balance and certify all books and accounts between the Company and the Company's bankers and may receive all paid cheques and vouchers and sign all the bank's forms of settlement of balance and release or verification slips.

ARTICLE 3—DEPOSITS—The funds of the Company may be deposited from time to time to the credit of the Company with such bank or banks or trust company or trust companies or with such bankers as the Board of Directors may, by resolution, from time to time approve.

ARTICLE 4—DEPOSIT OF SECURITIES FOR SAFEKEEPING—The securities of the Company may be deposited from time to time for safekeeping with one or more bankers, trust companies or other financial institutions in Canada or in the United States of America or elsewhere to be selected by the Board of Directors. Any and all securities so deposited may be withdrawn, from time to time, only upon the written order of the Company, signed by such director or directors, officer or officers, agent or agents of the Company and in such manner as shall be determined, from time to time, by resolution of the Board of Directors and such authority may be general or confined to specific instances. Any institution which may be so selected as custodian by the Board of Directors shall be fully protected in acting in accordance with the directions of the Board of Directors and shall in no event be liable for the due application of the securities so withdrawn from deposit or the proceeds thereof.

BY-LAW NINE

DECLARATIONS

The Chairman of the Board, the President, any Vice-President, the Treasurer, the Secretary, any Assistant Treasurer, any Assistant Secretary, any accountant or any assistant accountant, or any other officer or person nominated for the purpose by the Chairman of the Board, the President or any Vice-President are, or any one of them is, authorized and empowered to appear and make answer for, on behalf and in the name of the Company to all writs, orders and interrogatories upon articulated facts issued out of any court and to declare for, on behalf and in the name of the Company any answer to writs of attachment by way of garnishment in which the Company is garnishee and to make all affidavits and sworn declarations in connection therewith or in connection with any and all judicial proceedings to which the Company is a party and to make demands of abandonment or petitions for winding-up or bankruptcy orders upon any debtor of the Company and to attend and vote at all meetings of creditors of the Company's debtors and grant proxies in connection therewith.

BY-LAW TEN

ENACTMENT, REPEAL AND AMENDMENT OF BY-LAWS

These By-laws may be repealed, amended or re-enacted by the Directors at any regular meeting or at any special meeting called for that purpose. Except in the case of Article 1 of By-law THREE,

By-law FOUR and By-law FIVE, every such repeal, amendment or re-enactment, unless in the meantime confirmed at a general meeting of the shareholders called for that purpose, shall only have force until the next Annual General Meeting of Shareholders, and in default of confirmation thereat shall cease to have force at and from that time only. Every such repeal, amendment or re-enactment of By-law FOUR or any provision thereof by the Directors as aforesaid shall have full force and effect without confirmation at any general meeting of the shareholders. No such repeal, amendment or re-enactment of Article 1 of By-law THREE and By-law FIVE or any provision thereof shall have any force or effect until sanctioned by at least two-thirds of the votes cast at a special general meeting of shareholders duly called for considering the same.

BY-LAW ELEVEN

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Every director or officer of the Company and his heirs, executors and administrators, and estate and effects, respectively, shall be indemnified and saved harmless out of the funds of the Company, from time to time, and at all times, from and against (a) all costs, charges and expenses whatsoever which such director or officer sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever, heretofore or hereafter made, done or permitted by him, in or about the execution of the duties of his office; (b) all other costs, charges and expenses which he sustains, or incurs, in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by his own wilful neglect or default; and the Company hereby consents to the indemnification provided for herein.

No director or officer for the time being of the Company shall be liable for the acts, receipts, neglect or default of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Board of Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation, including any person, firm or corporation with whom or which any moneys, securities or effects shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Company, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his office or trust or in relation thereto, unless the same shall happen by or through his own wilful act or default.

The Directors for the time being of the Company shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Company, except such as shall have been submitted to and authorized or approved by the Board of Directors. If any director or officer of the Company shall be employed by or shall perform services for the Company otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a company which is employed by or performs services for the Company, the fact of his being a director or officer of the Company shall not disentitle such director or officer or such firm or company, as the case may be, from receiving proper remuneration for such services.

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